

FACTORS THAT AFFECT MUTUAL FUND PERFORMANCE - A STUDY OF THE REGISTERED FUND MANAGERS IN KENYA

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ABSTRACT

The mutual fund industry has developed, rapidly over the past 20 years; this can be attributed to the various advantages associated with mutual fund as opposed to other investment vehicles. Survival of the fund is solely determined by its performance in the market; this is determined by growth of fund investments and amount of periodic returns to investors for growth and value funds respectively. Kenyan fund market is still at its nascent and of late it has not been performing as well as compared to other developed fund markets in the world. Despite this, little research has been carried out to determine the reasons for poor performance and especially in studying the fundamentals that determine the fund performance. The purpose of the research was to study the fundamentals that predict mutual fund performance in Kenya. The essentials studied in the research included; Investment styles, behavioral patterns and managerial capabilities. The research findings will be of utmost importance to the fund managers, investors, government and also academic fraternity. The study involved all the registered fund managers in Kenya which according to RBA stands at 16. The research design was descriptive and the researcher employed census method of study where 2 questionnaires were issued to each registered fund manager; one to investment manager and the other to fund administrator. 27 questionnaires out of 32 questionnaires issued were duly completed and returned. The data collected was first subjected to descriptive statistics including frequencies, percentages, means and standard deviations. Inferential statistics was also used in the study; in this case, Pearson's moment correlation coefficient was used to determine the magnitude of relationship between variables. The research established a positive relationship between fund performance and

investment style and managerial The researcher found a negative relationship between fund performance and behavioral patterns. The research recommends that the various fund regulators comes up with the necessary policies and laws to regulate the industry and also training of fund managers and investors on the funds best practice to improve performance.

KEY WORDS: Mutual fund, investment style, behavioral characteristics, mutual fund performance

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